

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
For Approval of Rate Increases and )  
Revised Rate Schedules and Rules. )  

---

DOCKET NO. 04-0113

ORDER NO. 23377

Filed April 23, 2007  
At 2 o'clock P.M.

Karen Higashi.  
Chief Clerk of the Commission

RECEIVED

2007 APR 25 A 8:31

DIV. OF CONSUMER ADVOCACY  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
STATE OF HAWAII

ATTEST: A True Copy  
KAREN HIGASHI  
Chief Clerk, Public Utilities  
Commission, State of Hawaii.

Karen Higashi.



December 31, 2006."<sup>1</sup> In a footnote, HECO explains that "due to a discrepancy in HECO's test year estimate of revenue at current rates, the interim rate increase percentages did not include recovery of the DG diesel fuel and trucking costs or the LFSO trucking costs. Therefore, HECO is recovering these costs through the quarterly ECA Reconciliation Adjustment."<sup>2</sup>

On February 2, 2007, the Commission, Carlito P. Caliboso, Chairman, and John E. Cole, Commissioner, presiding, held an informal briefing to discuss HECO's proposal to recover the DG diesel fuel and trucking costs, and the LSFO trucking costs, through the quarterly ECA reconciliation adjustment. In addition to HECO, the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate") and the DEPARTMENT OF THE NAVY, ON BEHALF OF THE DEPARTMENT OF DEFENSE ("DoD") (collectively, the "Parties") were present at the informal briefing.<sup>3</sup> At the informal briefing, the Commission requested that the Consumer Advocate and the DoD file their comments, if any, no later than February 16, 2007, and that HECO file its Reply, if any, within one week thereafter.

On February 15, 2007, the DoD submitted its comments, in which it opposed HECO's proposal. The DoD states that HECO's proposal is an "attempt[] to retroactively correct an error that

---

<sup>1</sup>Letter from HECO to the Commission, filed January 31, 2007 ("January 31, 2007 letter") at 1.

<sup>2</sup>January 31, 2007 letter at 1 n.1.

<sup>3</sup>The Commission requested that the Consumer Advocate and the DoD be present at the informal briefing on the basis that those entities are parties to Docket No. 04-0113, HECO's 2005 Test Year Rate Case.

was made in its previous filing (Docket 04-0113)."<sup>4</sup> The DoD, however, does not raise any objections or concerns that HECO's proposal would impact the Parties' September 16, 2006 Stipulated Settlement in Docket No. 04-0113.<sup>5</sup>

On February 23, 2007, the Consumer Advocate timely filed its comments.<sup>6</sup> The Consumer Advocate states that "the fuel costs to be recovered through the ECA factor [in the prior rate proceeding (i.e., Docket 7766)] did not include a component for DG fuel and transportation costs to transport the fuel to the substations where the DG units are sited and the Honolulu power plant."<sup>7</sup> The Consumer Advocate concludes that "[a]s a result, [HECO's] instant proposal to recover these costs through the ECAC would require Commission approval."<sup>8</sup> The Consumer Advocate also concludes that under the circumstances, HECO "has inadvertently been unable to recover costs which were assumed to be recoverable in Interim Decision and Order No. 22050 [(granting interim rates in Docket No. 04-0113)]."<sup>9</sup> Thus, the Consumer Advocate "does not oppose [HECO]'s request to recover such costs in the

---

<sup>4</sup>Letter from DoD to the Commission, filed February 16, 2007 ("DoD Response") at Enclosure.

<sup>5</sup>DoD Response at Enclosure.

<sup>6</sup>By letter dated February 22, 2007, the Commission granted the Consumer Advocate's request for an extension of time to file its comments, from February 16, 2007, until February 23, 2007.

<sup>7</sup>Letter from the Consumer Advocate to the Commission, dated February 23, 2007 ("Consumer Advocate Response"), at 2.

<sup>8</sup>Consumer Advocate Response at 2.

<sup>9</sup>Consumer Advocate Response at 2-3 (page 3 was inadvertently misnumbered as a second page 2).

reconciliation process."<sup>10</sup> Finally, the Consumer Advocate does not raise any objections or concerns that HECO's proposal would be a deviation from the Parties' September 16, 2006 Stipulated Settlement in Docket No. 04-0113.<sup>11</sup>

## II.

### Discussion

#### A.

##### Commission Approval is Required

HAR § 6-60-6, Automatic adjustment clauses, provides that "[t]he utility's rate schedules may include automatic rate adjustment clauses, only for those clauses previously approved by the commission." In the present case, the ECAC is an automatic rate adjustment clause, approved by the Commission in Docket No. 7766, the prior rate proceeding. However, as noted by the Consumer Advocate, and as discussed further in Section II.B., infra, the ECA factor established in Docket No. 7766 did not include a component for the Additional DG and LSFO Costs. Therefore, the Commission agrees with the Consumer Advocate that HECO's proposal to recover the Additional DG and LSFO Costs through the ECAC requires Commission approval.

---

<sup>10</sup>Consumer Advocate Response at 3 (inadvertently misnumbered as the second page 2).

<sup>11</sup>Consumer Advocate Response at 3 (inadvertently misnumbered as the second page 2).

B.

The Filings on this Matter Will Be Included  
In Docket No. 04-0113

The Consumer Advocate filed its Response in Docket No. 04-0113, and requests that the filings on this matter be included in that docket.<sup>12</sup> Based on the discussion at the informal briefing, and the filings by the Parties, the Commission grants the Consumer Advocate's request. Accordingly, the Commission attaches HECO's January 31, 2007, letter, the DoD Response, and the Commission's February 22, 2007, letter granting an extension of time to the Consumer Advocate, as Exhibits A, B, and C, respectively, to this Order.<sup>13</sup>

C.

The Quarterly ECA Reconciliation Adjustment May Not Be Used for  
Recovery of Additional DG and LSFO Costs

HAR § 6-60-6, Automatic adjustment clauses, sets forth certain standards with which fuel adjustment clauses must comply. HAR § 6-60-6(1) defines "fuel adjustment clause" as "a provision of a rate schedule which provides for increases or decreases or both, without prior hearing, in rates reflecting increases or

<sup>12</sup>See Consumer Advocate's Response at 1 n.1. The Consumer Advocate states, "[s]ince HECO's request stems from Interim Decision and Order No. 22050 filed in Docket No. 05-0114, the Consumer Advocate requests that these filings also be made a part of that proceeding." Id. (emphasis in original). However, the Commission believes that the Consumer Advocate intended to reference Docket No. 04-0113 because Decision and Order No. 22050 was filed in Docket No. 04-0113, the Consumer Advocate filed its Response in Docket No. 04-0113, and Docket No. 05-0114 is wholly inapplicable to the present matter.

<sup>13</sup>The Consumer Advocate's filings are not attached as exhibits because they are already included in Docket No. 04-0113.

decreases or both in costs incurred by an electric or gas utility for fuel and purchased energy due to changes in the unit cost of fuel and purchased energy." In addition, HAR § 6-60-6(3) provides, the "fuel adjustment clause shall cover only increases or decreases in the unit cost of fuel and purchased energy adjusted for the resulting changes in revenue taxes, from those found reasonable in the last rate case proceeding for the utility; where such unit cost were included in the base rate for each schedule." In the present case, it is undisputed that the ECA factor approved in HECO's last rate case proceeding did not include a component for the Additional DG and LSFO Costs. Thus, contrary to HECO's position, the Additional DG and LSFO Costs do not constitute "changes" or "increases or decreases" in the unit cost of fuel under HAR §§ 6-60-6(1) and (3).<sup>14</sup> Therefore, the ECAC may not be used to cover increases or decreases in the unit cost of fuel resulting from the Additional DG and LSFO Costs.

Moreover, it is clear that the quarterly ECA reconciliation adjustment was not intended to allow recovery of

---

<sup>14</sup>Indeed, HECO did not seek to recover the Additional DG and LSFO Costs through the ECA reconciliation factor until it pinpointed an error in its test year estimate of revenues at current rates. Therefore, HECO's own actions indicate that the Additional DG and LSFO Costs are not "changes" or "increases or decreases" in the unit cost of fuel. In addition, and in any event, HECO did not notify the Commission about the Additional DG and LSFO Costs until January 31, 2007, over one year after the Additional DG and LSFO Costs began to be accrued. Therefore, even if the Additional DG and LSFO Costs were to be included in the ECAC, HECO failed to comply with HAR § 6-60-6, which provides that "[t]he utility shall notify the Commission and the Consumer Advocate within five days after notification of an increase or decrease in cost by the fuel supplier."

costs that were inadvertently excluded from the ECA factor. Indeed, HECO does not identify any commission precedent for recovery of the Additional DG and LSFO Costs through the ECA factor or the ECA quarterly reconciliation. More generally, HECO also does not identify any commission precedent for allowing the recovery of costs that should have been included in base rates through any type of an automatic adjustment clause. Therefore, the quarterly ECA reconciliation adjustment is not an appropriate vehicle for recovery of the Additional DG and LSFO Costs, and the Commission denies HECO's request.

D.

HECO Must Refund or Otherwise Reconcile the  
Additional DG and LSFO Costs Recovered Under the ECAC

At the informal briefing, HECO stated that if it does not receive Commission approval of its request, it will refund or otherwise reconcile the amounts collected as Additional DG and LSFO Costs. As discussed above, the Commission determines that HECO may not recover the Additional DG and LSFO Costs through the quarterly ECA reconciliation adjustment. Therefore, consistent with HECO's assurances at the informal briefing, HECO is required to refund or otherwise reconcile the amounts collected as Additional DG and LSFO Costs within ninety (90) days of this Order.

E.

HECO May Establish a Surcharge to Recover  
Future Additional DG and LSFO Costs

As indicated above, the quarterly ECA reconciliation adjustment is not the appropriate vehicle for recovery of HECO's Additional DG and LSFO Costs. Nonetheless, for the period that HECO's interim rates are applicable, recovery of HECO's Additional DG and LSFO Costs may be recovered through the implementation of a new and separate interim surcharge. Such recovery would be limited to future Additional DG and LSFO Costs, incurred on or after the effective date of the new and separate interim surcharge.

III.

Orders

THE COMMISSION ORDERS that

1. HECO's proposal to recover the Additional DG and LSFO Costs is denied.
2. HECO must refund or otherwise reconcile the Additional DG and LSFO Costs recovered under the ECAC within ninety (90) days of the date of this Order, unless further ordered by the Commission.
3. HECO may establish and implement a new and separate interim surcharge to recover its additional DG and LSFO Costs, consistent with section II.E, above.

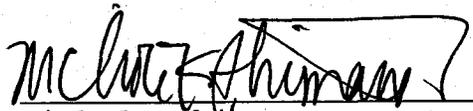
DONE at Honolulu, Hawaii APR 23 2007.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Carlito P. Caliboso, Chairman

By   
John E. Cole, Commissioner

APPROVED AS TO FORM:

  
Nichole Shimamoto  
Commission Counsel

04-0113.eh

Exhibit A



January 31, 2007

PUBLIC UTILITIES  
COMMISSION

2007 JAN 31 P 4:00

FILED

The Honorable Chairman and Members of  
The Hawaii Public Utilities Commission  
465 South King Street  
Kekuanaoa Building, 1st Floor  
Honolulu, Hawaii 96813

Dear Commissioners:

The Company's energy cost adjustment factor for February 2007 is 5.199 cents per kilowatthour, an increase of 0.421 cents per kilowatthour from last month. A residential customer consuming 600 kilowatthours of electricity will be paying \$112.74, \$2.53 more than the previous month.

The Company's fuel composite cost of generation increased 3.79 cents per million BTU to 812.29 cents per million BTU. The composite cost of purchased energy decreased 0.749 cents per kilowatthour to 4.679 cents per kilowatthour.

The quarterly Energy Cost Adjustment (ECA) reconciliation adjustment included in this month's filing includes the Company's diesel fuel costs for its distributed generation ("DG") units, related trucking expenses, and its LSFO trucking costs for the period January 1, 2006 through December 31, 2006.<sup>1</sup>

<sup>1</sup> In HECO's 2005 test year rate case, the Commission issued Interim Decision and Order No. 22050 ("ID&O 22050"), filed September 27, 2005, Docket No. 04-0113. HECO's interim rates reflecting ID&O 22050 went into effect September 28, 2005. HECO's revenue requirements for the rate case, and its energy cost adjustment factor at current and proposed rates, included the DG diesel fuel and trucking costs and the LSFO trucking costs. See HECO RT-4, page 2, HECO-R-401, HECO RT-10, pages 28-32, and HECO-R-1012, filed August 5, 2005, and also the September 16, 2005 joint settlement letter with the Consumer Advocate, Department of Defense and HECO, Exhibit II, page 1, subparts 2. and 4.c., Docket No. 04-0113. However, due to a discrepancy in HECO's test year estimate of revenue at current rates, the interim rate increase percentages did not include recovery of the DG diesel fuel and trucking costs or the LSFO trucking costs. Therefore, HECO is recovering these costs through the quarterly ECA Reconciliation Adjustment.

These costs were not previously recovered through the ECA factor or the ECA quarterly reconciliation.

The DG units are located at HECO's Ewa Nui and Helemano substations, and Iwilei tank farm. Additional DG unit locations expected in 2007 include HECO's Campbell Industrial substation, and HECO's "Pole Yard" (adjacent to the Kalaeloa Partners Limited Partnership generating facility). The diesel fuel is sourced under HECO's existing Chevron Products Company Inter-island Industrial Fuel Oil and Diesel Fuel Supply Contract, approved by the Commission in Decision and Order No. 21523, filed December 30, 2004, Docket No. 04-0129. The diesel fuel is transported from Chevron's Honolulu Distribution Terminal in Iwilei to the various DG sites under the terms of a contract between HECO and D&K Petroleum, Inc. The freight rates per unit transported to be charged under this contract are the PUC approved published tariff rates then in effect plus applicable taxes, Hawaii General Excise Tax, and Motor Carrier Gross Revenue Fee.

The LSFO trucking costs are incurred under a PUC approved motor carrier tariff with Bering Sea Eccotech Inc. for the trucking of LSFO from HECO's Barbers Point Tank Farm ("BPTF") to the Iwilei Tank Farm. The LSFO is then shipped via a HECO-owned pipeline from the Iwilei Tank Farm to the Honolulu Power Plant ("HPP"). The LSFO for the HPP was previously shipped via a Chevron-owned pipeline from the BPTF to the Iwilei Tank farm. Commencing from December 2004, the date that HECO's new Waiiau Fuel Pipeline went into service, the Chevron-owned pipeline is no longer utilized by HECO for the shipment of LSFO. The trucking of LSFO was addressed in HECO's Waiiau Fuel Pipeline application, approved by the Commission in Decision and Order No. 19875, filed December 16, 2002, Docket No. 01-0444.

HECO plans to recover through the quarterly energy cost adjustment reconciliation factor the DG diesel fuel costs, DG diesel trucking costs and the LSFO trucking costs, lagged one quarter. This is because these fuel and fuel-related costs involve a number of invoices and related delivery documentation that takes longer for HECO to review and process for payment. The energy cost adjustment factor filed to be effective February 1, 2007 will include the DG diesel fuel costs and the LSFO trucking costs for the period from January 1, 2006 through December 31, 2006, as this is HECO's initial recovery of these costs.



As proposed in its test year 2005 rate case testimony, HECO's central station fuel expenses (including trucking costs to the Honolulu Power Plant) will be subject to the fixed efficiency factor. Also as proposed in the same testimony, HECO's DG fuel expenses will not be subject to the fixed efficiency factor since the DG generating units would lower system heat rate and unfairly provide a benefit to the Company. HECO proposes to continue to include these costs through the quarterly ECA reconciliation until the Commission issues a final decision and order (D&O) for HECO's test year 2005 rate case, at which time these costs would be included prospectively in the ECA factor filed monthly.

The attached sheets set forth the energy cost adjustment factor in cents per kilowatthour for each rate schedule that is applicable for prorata use beginning February 1, 2007.

Sincerely,



Dean Matsuura  
Director, Regulatory Affairs

Attachments

cc: Division of Consumer Advocacy

xc: D. Waller      L. Nagata  
W. Saunders    R. Pytlarz  
C. Hazama  
NP File  
SP File (Original)



**Hawaiian Electric Company, Inc.**  
**ENERGY COST ADJUSTMENT FACTOR**

	<u>Effective Dates</u>		<u>Change</u>
	<u>1-01-07</u>	<u>2-01-07</u>	
Composite Cost Of Generation, ¢/mmbtu	808.50	812.29	3.79
Composite Cost Of Purchased Energy, ¢/kWh	5.428	4.679	(0.749)
 <u>Residential, Schedule "R"</u>			
Energy Cost Adjustment, ¢/kWh	4.778	5.199	0.421
 <u>Others, Schedules "G,J,H,PS,PP,PT,F"</u>			
Energy Cost Adjustment, ¢/kWh	4.778	5.199	0.421
 <u>Residential Customer with:</u>			
700 kWh Consumption, \$/bill	127.34	130.28	2.94
600 kWh Consumption, \$/bill	110.21	112.74	2.53

Supercedes Sheet Effective:            January 1, 2007



**Hawaiian Electric Company, Inc.**  
**FUEL OIL INVENTORY PRICES FOR 2-1-07**

	Honolulu	Kahe	Waiau
Average Low Sulfur Fuel Oil, ¢/Mbtu	802.70	802.70	802.70
Thruput Charges, ¢/Mbtu	-	-	-
Fuel Oil Prices Used For Filing, ¢/Mbtu	802.70	802.70	802.70
Diesel Oil Prices Used for Filing, ¢/Mbtu			1,636.76
	Honolulu	Kahe	Waiau
Average Low Sulfur Fuel Oil, \$/bbl	50.65	50.65	50.65
Thruput Charges, \$/bbl	-	-	-
Fuel Oil Prices Used For Filing, \$/bbl	50.65	50.65	50.65
Diesel Oil Prices Used for Filing, \$/bbl			93.88

FOAC February 2007

<u>LSFO</u>	<u>BARRELS</u>	<u>MBTU</u>	<u>AMOUNT</u>	<u>AVE \$/MBTU</u>
Per FOAC run	863,219	5,446,616.90	43,720,211.84	8.027040
Additional				
Forecast Amt	863,219	5,446,616.90	43,720,211.84	8.027040 ***
	-	6.20	-	ADD'L BBL
	5,446,617	863,219	6.3097	MBTU / BBL
	43,720,212	863,219	50.65	DOLLARS / BBL
<u>DIESEL</u>	30,121	172,765.38	2,827,748.32	16.367563 ***
	2,827,748	30,121	93.88	DOLLARS / BBL

THRUPUT CALCULATIONS

KAHE

Additional	-	-	-	-
Forecast Amt	-	-	-	- ***
\$ / BBL =				

WAI AU

Per FOAC run	-	-	-	-
Additional	-	-	-	-
Forecast Amt	-	-	-	- ***
\$ / BBL =				

HONOLULU

Per FOAC run	-	-	-	-
Additional				
Forecast Amt	-	-	-	- ***
\$ / BBL =				

Hawaiian Electric Company, Inc.

CONTRACT PRICES EFFECTIVE 1-1-07

<u>TYPE OF OIL BURNED</u>	<u>\$/BBL</u>	<u>¢/MBTU</u>
<b>LOW SULFUR FUEL OIL</b>		
Tax *	2.4170	38.99
Ocean Transportation	0.0000	0.00
Land Transportation	0.0000	0.00
Storage	0.0000	0.00
Wharfage	0.0000	0.00
<b>DIESEL</b>		
Tax *	5.0392	85.58
Ocean Transportation	0.0000	0.00
Land Transportation	0.0000	0.00
Storage	0.0000	0.00
Wharfage	0.0000	0.00

\* Tax includes HGET, Hawaii Use Tax, Liquid Fuel Tax, LUST and Environmental Response Tax.

Note: Since these components are not accounted for separately in inventory, contract prices for the current month are being provided. Contract prices are considered accurate pending actual delivery of the fuel.

**Hawaiian Electric Company, Inc.**  
**ECA RECONCILIATION ADJUSTMENT**  
**February 2007**

1.	Amount to be collected	\$	2,693,000
2.	Monthly Amount (Line 1 x 1/3)	\$	897,666.67
3.	Revenue Tax Multiplier		1.0975
4.	Total (Line 2 x Line 3)	\$	985,189.17
5.	Estimated MWh Sales (February 2007)		560,800
6.	ECA Reconciliation Adjustment, ¢/kWh (Line 4 ÷ Line 5)		<u>0.176</u>

**HAWAIIAN ELECTRIC CO., INC.**  
**2006 FUEL OIL ADJUSTMENT RECONCILIATION SUMMARY**  
**(Thousand \$)**

<u>Line</u>	<u>4th Qtr Total</u>	<u>collectn by company*</u>
<b>ACTUAL COSTS:</b>		
1	510,858.6	
2	<u>204,754.4</u>	
3	715,613.0	
<b>FUEL FILING COST (1)</b>		
4	511,768.4	
5	<u>204,754.4</u>	
6	716,522.8	
<b>BASE FUEL COST</b>		
7	147,698.9	
8	<u>98,202.4</u>	
9	245,901.3	
10	470,621.5	
11	469,134.2	
12	646.4	
13	468,487.8	
14	(2,133.7)	under
<b>ADJUSTMENTS</b>		
15	(484.2)	
16	(331.5)	
17	<u>712.1</u>	
18	<u>(2,693.0)</u>	under
<b>EXPLANATORY ITEMS:</b>		
19	(1,244.4)	
20	21.9	
21	30.1	
22	(712.1)	
23	<u>(734.2)</u>	
24	(2,638.7)	under
25	(54.3)	under

NOTES: 1. ACTUAL costs adjusted to reflect 11170 btu/kwh

\* Over means an over-collection by the company.  
Under means an under-collection by the company.

**HAWAIIAN ELECTRIC CO., INC.**  
**2006 DG Fuel & Trucking Costs; Honolulu LSFO Trucking Costs <sup>1</sup>**  
**(\$000)**

Quarter	(A)	(B)	(C)	(D)	(E)
	Fuel	DG Trucking	Subtotal	Honolulu LSFO Trucking	Total
First	167.4	3.2	170.6	189.3	359.8
Second	186.4	2.6	189.1	207.8	396.8
Third	173.7	2.4	176.1	337.2	513.3
Fourth	173.4	2.9	176.3	188.6	364.9
Total	701.0	11.1	712.1	922.8 <sup>2</sup>	1,634.9

<sup>1</sup> Column C, Total: Input to Lines 17 and 22, Attachment 4, page 2  
 Column D, Sum(Q1:Q3) = \$734,200, Input to Line 23, Attachment 4, page 2

<sup>2</sup> Actual expense, not adjusted for ECAC efficiency factor.  
 The ECAF reconciliation applies the efficiency factor to  
 adjust amount recovered in 2006.

**HAWAIIAN ELECTRIC COMPANY, INC.**  
**2006/2007 Cumulative Reconciliation Balance**

	(1)		(2)	(3)	(4)	(5)	(6)
Month	YTD FOA Reconciliation	Qtr	FOA Rec Adjust Variance	FOA Rec Less Variance	Try to Collect	Actual Collect	Month-end Cumulative Balance
dec 05							(311,672)
jan 06					292,700	284,833	(26,839)
feb	(353,600)	[4]	(18,973)	(334,627)	117,867	110,744	(250,722)
mar					117,867	115,279	(135,443)
apr					117,867	108,681	(26,762)
may	362,500	[1]	(17,578)	380,078	(120,833)	(113,991)	239,325
jun					(120,833)	(118,930)	120,395
jul					(120,833)	(116,338)	4,057
aug	1,520,100	[2]	(441)	1,520,541	(506,700)	(502,985)	1,021,613
sep					(506,700)	(484,833)	536,780
oct					(506,700)	(489,924)	46,856
nov	994,400	[3]	30,077	964,323	(331,467)	(327,043)	684,136
dec 06					(331,467)	(336,634)	347,502
jan 07							
feb							
mar							
apr							
<b>Total</b>	<b>2,523,400</b>			<b>2,530,315</b>	<b>(1,899,232)</b>	<b>(1,871,141)</b>	

**NOTES:**

A positive number is a collection or an over-collection.

Col(1): Quarterly FOA reconciliation amounts (refer to previous Reconciliation Summaries)

Col(2): FOA reconciliation adjustment variance (Col(5)-Col(4)) accumulated during the last three months, generated by the difference between the estimated recorded sales used to derive the \$/kwh adjustment and the actual recorded sales. Enter the last entry in this column in Line 21 of the Reconciliation Summary.

Col(3): FOA reconciliation generated in the current quarter. The YTD FOA reconciliation difference minus the adjustment variance, Col(1)-Col(2).

Col(4): Amount that the FOA reconciliation adjustment is trying to collect (Col(1) x 1/3).

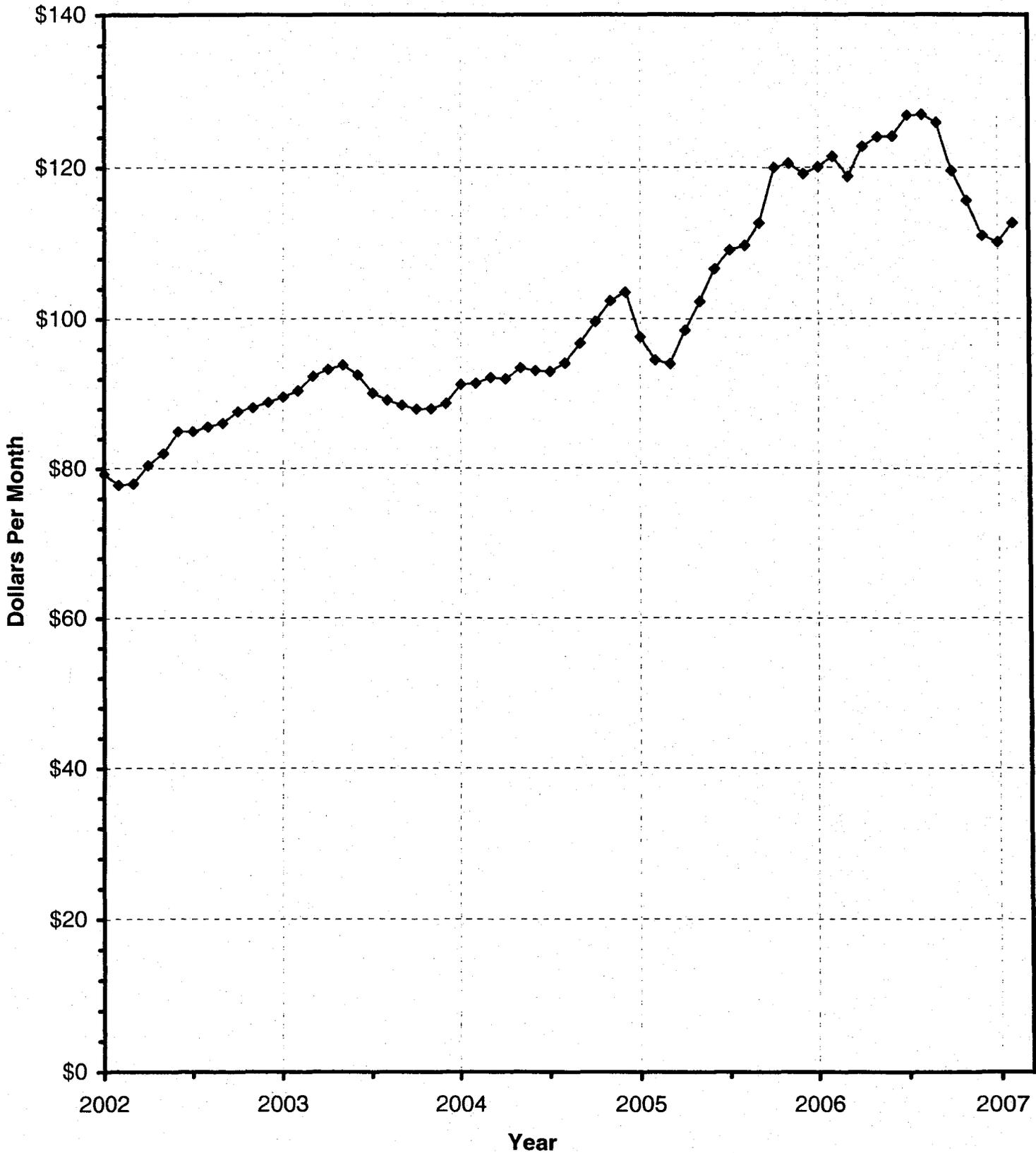
Col(5): Actual collected amount (recorded sales X \$/kwh adjustment/1.09751).

Col(6): Cumulative balance of the FOA reconciliation, previous balance + Col(3) + Col(5).

**Hawaiian Electric Company, Inc.**  
**FUEL OIL DATA**

Effective Date	Efficiency Factor	GENERATION CENTS / MBTU		PURCHASED CENTS / KWH		ECAF CENTS / KWH	RESIDENTIAL BILL (\$)	
		Base Price	Comp. Price	Base Price	Comp. Price	Resid & Comm'l	@ 700 kWh	@ 600 kWh
JUN 1, '05	0.01117	287.83	841.85	3.005	5.131	5.037	123.24	106.64
JUL 1, '05	0.01117	287.83	858.53	3.005	5.695	5.452	126.14	109.13
<b>ADJUSTMENT TO AES RATE ADJUSTMENT OF -0.006% EFFECTIVE 8/01/05 - 10/31/05</b>								
AUG 1, '05	0.01117	287.83	854.24	3.005	5.989	5.552	126.86	109.75
<b>IRP COST RECOVERY ADJUSTMENT OF 0.000% EFFECTIVE 9/1/05</b>								
SEP 1, '05	0.01117	287.83	915.26	3.005	6.165	6.088	130.30	112.69
<b>INTERIM RATE INCREASE OF 4.36 PERCENT EFFECTIVE 9/28/05</b>								
<b>RESIDENTIAL DSM ADJUSTMENT of 0.2518 CENTS/KWH EFF 9/28/05</b>								
<b>COMMERCIAL DSM ADJUSTMENT OF 0.2673 CENTS/KWH EFF 9/28/05</b>								
<b>AES CAPACITY RATE ADJUSTMENT OF 0.00% EFFECTIVE 9/28/05</b>								
OCT 1, '05	0.01117	287.83	954.07	3.005	6.378	6.469	138.78	120.02
<b>ADJUSTMENT TO AES RATE ADJUSTMENT OF 0.019% EFFECTIVE 11/01/05 - 1/31/06</b>								
NOV 1, '05	0.01117	287.83	992.40	3.005	6.125	6.554	139.41	120.54
DEC 1, '05	0.01117	287.83	988.22	3.005	5.742	6.331	137.85	119.21
JAN 1, '06	0.01117	287.83	929.25	3.005	6.607	6.483	138.91	120.12
<b>ADJUSTMENT TO AES RATE ADJUSTMENT OF 0.00% EFFECTIVE 2/1/06</b>								
Feb 1, '06	0.01117	287.83	919.25	3.005	7.187	6.677	140.25	121.27
MAR 1, '06	0.01117	287.83	950.81	3.005	6.300	6.274	137.43	118.85
<b>RESIDENTIAL DSM ADJUSTMENT of 0.3629 CENTS/KWH EFF 04/01/06</b>								
<b>COMMERCIAL DSM ADJUSTMENT OF 0.1985 CENTS/KWH EFF 04/01/06</b>								
APR 1, '06	0.01117	287.83	987.13	3.005	5.615	6.816	142.00	122.78
MAY 1, '06	0.01117	287.83	1,011.26	3.005	6.573	7.026	143.47	124.04
<b>RESIDENTIAL DSM ADJUSTMENT of 0.3578 CENTS/KWH EFF 05/26/06</b>								
<b>COMMERCIAL DSM ADJUSTMENT OF 0.2044 CENTS/KWH EFF 05/26/06</b>								
<b>IRP COST RECOVERY ADJUSTMENT OF 0.685% EFFECTIVE 06/01/06 - 06/30/06</b>								
<b>AES CAPACITY RATE ADJUSTMENT OF -3.678% EFFECTIVE 06/01/06 - 06/30/06</b>								
JUNE 1, '06	0.01117	287.83	1,069.26	3.005	6.747	7.421	143.62	124.14
<b>IRP COST RECOVERY ADJUSTMENT OF 0.000% EFFECTIVE 07/01/06</b>								
<b>AES CAPACITY RATE ADJUSTMENT OF -0.391% EFFECTIVE 07/01/06</b>								
JULY 1, '06	0.01117	287.83	1,088.23	3.005	6.750	7.553	146.78	126.88
AUG 1, '06	0.01117	287.83	1,089.46	3.005	6.745	7.563	146.85	126.94
SEP 1, '06	0.01117	287.83	1,060.83	3.005	6.786	7.397	145.69	125.94
OCT 1, '06	0.01117	287.83	996.75	3.005	5.779	6.345	138.33	119.63
<b>ADJUSTMENT TO AES RATE ADJUSTMENT OF -0.024% EFFECTIVE 11/01/06 - 1/31/07</b>								
<b>IRP COST RECOVERY ADJUSTMENT OF 0.023% EFFECTIVE 11/01/06 - 11/30/06</b>								
NOV 1, '06	0.01117	287.83	917.51	3.005	5.539	5.686	133.71	115.68
<b>IRP COST RECOVERY ADJUSTMENT OF 0.000% EFFECTIVE 12/01/06</b>								
DEC 1, '06	0.01117	287.83	836.68	3.005	5.405	4.919	128.32	111.05
JAN 1, '07	0.01117	287.83	808.50	3.005	5.428	4.778	127.34	110.21
<b>ADJUSTMENT TO AES RATE ADJUSTMENT OF -0.019% EFFECTIVE 2/01/07 - 04/30/07</b>								
FEB 1, '07	0.01117	287.83	812.29	3.005	4.679	5.199	130.28	112.74

### Hawaiian Electric Company, Inc. Residential Bill at 600 KWH/Month Consumption



**Hawaiian Electric Company, Inc.**  
**CALCULATIONS OF THE AVERAGE RESIDENTIAL CUSTOMER BILL**

		Rate		Charge (\$) at 600 kWh		
		1/1/2007	2/1/2007	1/1/2007	2/1/2007	Difference
<b>Base Rates</b>	Eff Date:	1/1/97	1/1/97			
Base Fuel/Energy Charge	¢/kWh	3.514	3.514	21.08	21.08	0.00
Non-fuel Fuel Energy Charge	¢/kWh	7.7814	7.7814	46.69	46.69	0.00
Customer Charge	\$	7.00	7.00	7.00	7.00	0.00
<b>Total Base Charges</b>				<b>74.77</b>	<b>74.77</b>	<b>0.00</b>
<b>IRP Cost Recovery Adjustment</b>	% on base	0.000%	0.000%	0.00	0.00	0.00
<b>Rate Adjustment for AES</b>	% on base	-0.391%	-0.391%	(0.29)	(0.29)	0.00
<b>AES Rate Reconciliation Adj.</b>	% on base	-0.024%	-0.019%	(0.02)	(0.01)	0.01
<b>DSM Adjustment</b>	¢/kWh	0.3578	0.3578	2.15	2.15	0.00
<b>Interim Rate Increase</b>	% on base	6.600%	6.600%	4.93	4.93	0.00
<b>Energy Cost Adjustment</b>	¢/kWh	4.778	5.199	28.67	31.19	2.52
<b>Avg Residential Bill at 600 kWh</b>				<b>110.21</b>	<b>112.74</b>	

Increase / (Decrease)	2.53
% Change	2.30%

		Rate		Charge (\$) at 700 kWh		
		1/1/2007	2/1/2007	1/1/2007	2/1/2007	Difference
<b>Base Rates</b>	Eff Date:	1/1/97	1/1/97			
Base Fuel/Energy Charge	¢/kWh	3.514	3.514	24.60	24.60	0.00
Non-fuel Fuel Energy Charge	¢/kWh	7.7814	7.7814	54.47	54.47	0.00
Customer Charge	\$	7.00	7.00	7.00	7.00	0.00
<b>Total Base Charges</b>				<b>86.07</b>	<b>86.07</b>	<b>0.00</b>
<b>IRP Cost Recovery Adjustment</b>	% on base	0.000%	0.000%	0.00	0.00	0.00
<b>Rate Adjustment for AES</b>	% on base	-0.391%	-0.391%	(0.34)	(0.34)	0.00
<b>AES Rate Reconciliation Adj.</b>	% on base	-0.024%	-0.019%	(0.02)	(0.02)	0.00
<b>DSM Adjustment</b>	¢/kWh	0.3578	0.3578	2.50	2.50	0.00
<b>Interim Rate Increase</b>	% on base	6.600%	6.600%	5.68	5.68	0.00
<b>Energy Cost Adjustment</b>	¢/kWh	4.778	5.199	33.45	36.39	2.94
<b>Avg Residential Bill at 700 kWh</b>				<b>127.34</b>	<b>130.28</b>	

Increase / (Decrease)	2.94
% Change	2.31%



DEPARTMENT OF THE NAVY  
OFFICE OF THE GENERAL COUNSEL

Exhibit B

15 February 2007

OFFICE OF COUNSEL  
NAVAL FACILITIES ENGINEERING COMMAND  
PACIFIC  
258 MAKALAPA DRIVE, SUITE 100  
PEARL HARBOR, HI 96860-3134

The Honorable Chairman and Members  
Hawaii Public Utility Commission  
Kekuanaoa Building  
465 South King Street, 1<sup>st</sup> Floor  
Honolulu, HI 96813

Dear Commissioners:

Subj: DOCKET NO. 05-0310; HAWAIIAN ELECTRIC COMPANY, INC., JANUARY 31,  
2007, ENERGY COST ADJUSTMENT REPORT

Pursuant to the request of the Commission and staff at the February 2, 2007, briefing  
scheduled on this report, the Department of Defense hereby submits its comments, enclosure (1),  
on the aforementioned report.

Should you have any questions, please feel free to call me at (808) 474-5147.

Sincerely,

RANDALL Y.K. YOUNG  
Associate Counsel

Enclosure

(1) DOD Comments Regarding  
HECO's January 31, 2007  
ECAC Report

Copy to:  
William A. Bonnet, Vice President  
Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, HI 96840

PUBLIC UTILITIES  
COMMISSION

2007 FEB 16 P 12:41

FILED

Subj: DOCKET NO. 05-0310; HAWAIIAN ELECTRIC COMPANY, INC., JANUARY 31,  
2007, ENERGY COST ADJUSTMENT REPORT

Patsy H. Nanbu, Controller  
Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, HI 96840

Thomas W. Williams, Jr., Esq.  
Peter Y. Kikuta, Esq.  
Goodsill Anderson Quinn & Stifel  
1099 Alakea Street, Suite 1800  
Honolulu, HI 96813

Department of Commerce and Consumer Affairs  
State of Hawaii  
Division of Consumer Advocacy  
P. O. Box 541  
Honolulu, HI 96809

## **DOD Comments regarding HECO's January 31, 2007 ECAC Report**

### **Whether it is appropriate to recover these "diesel fuel costs for Distributed Generation" through fuel adjustment?**

Typically changes in the utilities' expenses, includible in base rates, which occur between rate cases are the responsibility of the utility's shareholders, not ratepayers. However, the settlement letter dated September 16, 2005 states that " The Parties agree that the Energy Cost Adjustment Clause ("ECAC") should continue and agree to the methodology to calculate the Energy Cost Adjustment Factor ("ECAF"), including the addition of the "DG Component", as proposed in HECO RT-10." Therefore, the question remains; if the settlement document has already provided for these DG-related fuel costs to be included in the ECA, why HECO has not been recovering them through the ECA since the date of the settlement?

It appears that HECO by stating, "However, due to a discrepancy in HECO' test year estimate of revenue at current rates, the interim rate increase percentages did not include recovery of the DG diesel fuel and trucking cost or the LFSO trucking cost. Therefore, HECO is recovering these costs through the quarterly ECA Reconciliation Adjustment." is attempting to retroactively correct an error that was made in its previous filing (Docket 04-0113).

### **If this was included in the 2005 case (Docket No. 04-0113), would it have any impact on our stipulation?**

DOD did not have a position on the issue of inclusion of a DG Component in the ECA Clause and based its derivation of the ECAF and ECA Revenues on the Consumer Advocate's estimates, as stated in HECO RT-10, page 29.

LINDA LINGLE  
GOVERNOR



CARLITO P. CALIBOSO  
CHAIRMAN

JOHN E. COLE  
COMMISSIONER

**STATE OF HAWAII**  
**PUBLIC UTILITIES COMMISSION**  
**DEPARTMENT OF BUDGET AND FINANCE**  
465 S. KING STREET, #103  
HONOLULU, HAWAII 96813

Telephone: (808) 586-2020  
Facsimile: (808) 586-2066

e-mail: Hawaii.PUC@hawaii.gov

February 22, 2007

Ms. Cheryl S. Kikuta  
Utilities Administrator  
Division of Consumer Advocacy  
Department of Commerce and  
Consumer Affairs  
P. O. Box 541  
Honolulu, Hawaii 96809

Re: Hawaiian Electric Company, Inc.'s January 31, 2007 request to recover certain costs through the Energy Cost Adjustment Factor effective February 1, 2007

Dear Ms. Kikuta:

The Public Utilities Commission ("Commission") is in receipt of the February 16, 2007 letter request filed by the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), for a one week extension of time to file its statement of position in the above-referenced matter, from February 16, 2007, until February 23, 2007.<sup>1</sup>

The commission will treat the Consumer Advocate's letter request as a motion for extension of time ("Motion") under Hawaii Administrative Rules ("HAR") §§ 6-61-23 and 6-61-41. HAR § 6-61-23(a)(1) allows the Commission to enlarge a period by which a required act must be completed upon a showing of good cause provided that a written request is made before the expiration of the period originally prescribed.<sup>2</sup>

---

<sup>1</sup>The Consumer Advocate filed its request in Docket No. 04-0113. In addition, on February 16, 2007, the DEPARTMENT OF THE NAVY, ON BEHALF OF THE DEPARTMENT OF DEFENSE ("DoD") filed its comments in Docket No. 05-0310. Although one or more dockets may be affected by any decision on this matter, the filings for this matter should be non-docketed.

<sup>2</sup>Motions that do not involve the final determination of a proceeding may be determined by the chairperson or commissioner. See HAR § 6-61-41(e).

Ms. Cheryl S. Kikuta  
February 22, 2007  
Page 2

After reviewing the entire record, the Commission finds that the Consumer Advocate has made a showing of good cause. In addition, the Consumer Advocate consulted with HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), and HECO does not oppose the Consumer Advocate's request. Therefore, the Commission concludes that the Motion should be granted. The Consumer Advocate shall have a one week extension of time to file its statement of position in the above-referenced matter, from February 16, 2007, until February 23, 2007.

If you have any questions or concerns, please contact Nichole Shimamoto at 586-2017.

Sincerely,



Carlito P. Caliboso  
Chairman

CPC:NKS:eh

c: William A. Bonnet  
Dean K. Matsuura  
Thomas W. Williams, Jr., Esq./Peter Y. Kikuta, Esq.  
Dr. Kay Davoodi  
Randall Y.K. Young, Esq.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23377 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI  
EXECUTIVE DIRECTOR  
DIVISION OF CONSUMER ADVOCACY  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
P. O. Box 541  
Honolulu, HI 96809

WILLIAM A. BONNET  
VICE PRESIDENT - GOVERNMENT AND COMMUNITY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P. O. Box 2750  
Honolulu, HI 96840-0001

PATSY H. NANBU  
CONTROLLER  
HAWAIIAN ELECTRIC COMPANY, INC.  
P. O. Box 2750  
Honolulu, HI 96840-0001

DEAN MATSUURA  
DIRECTOR - REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P. O. Box 2750  
Honolulu, HI 96840-0001

THOMAS W. WILLIAMS, JR., ESQ.  
PETER Y. KIKUTA, ESQ.  
GOODSILL ANDERSON QUINN & STIFEL  
Alii Place, Suite 1800  
1099 Alakea Street  
Honolulu, HI 96813

Counsel for Hawaiian Electric Company, Inc.

Certificate of Service  
Page 2

DR. KAY DAVOODI  
EFACHES  
1322 Patterson Avenue, S.E.  
Building 33, Floor 3  
Room/Cube 33-3002  
Washington, DC 20374

RANDALL Y. K. YOUNG, ESQ.  
NAVAL FACILITIES ENGINEERING COMMAND PACIFIC  
258 Makalapa Drive, Suite 100  
Pearl Harbor, HI 96860-3134

Counsel for Department of the Navy

  
\_\_\_\_\_  
Karen Higashi

DATED: APR 23 2007